

Message Text

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PAGE 01 STATE 158425

61

ORIGIN EB-11

INFO OCT-01 EUR-25 ADP-00 SS-15 PM-07 NSC-10 TRSE-00

CIAE-00 DODE-00 H-03 INR-10 L-03 NSAE-00 PA-03 RSC-01

PRS-01 USIA-15 OMB-01 AID-20 COME-00 FRB-02 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 SAJ-01 MBFR-03 STR-08

/168 R

DRAFTED BY EB/IFD/OMA:JHCHEATHAM

8/3/73 EXT. 21114

APPROVED BY E-MR. CASEY

EB - MR. ARMSTRONG

EUR - MR. SPRINGSTEEN

EUR/CE - MR. HEICHLER

PM/ISP - MR. TERRELL

NSC - MR. KNUBEL

TREASURY - MR. NENSEL

S/S - MR. GAMMON

WH - MR. KNUBEL

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R 101831Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY BONN

INFO AMEMBASSY BRUSSELS

USMISSION NATO

C O N F I D E N T I A L STATE 158425

E.O. 11652:GDS

TAGS: EFIN

SUBJECT: OFFSET NEGOTIATIONS

1. DURING WASHINGTON C-20 MINISTERIAL, FINANCE MINISTER SCHMIDT AND SECRETARY SHULTZ BRIEFLY DISCUSSED OFFSET QUESTION. IN REGARD TO ACCEPTABILITY OF BARRACKS-TYPE PROGRAMS AND FINANCIAL OFFSETS, SHULTZ INDICATED THAT, CONFIDENTIAL

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PAGE 02 STATE 158425

WHILE NOT REJECTING THESE SOFT ELEMENTS, U.S. PRIMARILY

INTERESTED IN HIGH-QUALITY, HARD OFFSETS. SHULTZ POINTED OUT SUCH HIGH QUALITY OFFSETS, WHILE IN FRG BUDGET, DO NOT ADD TO TOTAL DEMAND IN GERMANY. SCHMIDT SAID THAT GERMAN CABINET WOULD TAKE UP OFFSET QUESTION AT EARLY SEPTEMBER MEETING. HE INDICATED THAT HERMES AND CASEY COULD MEET DURING INTERIM TO DISCUSS POSSIBLE CONTENT OF OFFSETS PACKAGE BUT THAT HERMES WOULD BE UNABLE TO NEGOTIATE BEFORE OFFSETS DISCUSSED BY CABINET.

2. UNDER SEC'Y CASEY UNDERSTANDS FROM TELCON WITH HERMES THAT LATTER WILL RETURN FROM VACATION SEPTEMBER 10. IF HERMES HAS RECEIVED CABINET INSTRUCTIONS BY SEPTEMBER 17, UNDER SEC'Y CASEY WILLING TO HOLD FIRST ROUND OF TALKS IMMEDIATELY THEREAFTER, EITHER IN BONN OR WASHINGTON. UNSEC CASEY PREFERS SEPTEMBER 19 OR 20 FOR MEETING IN WASHINGTON. FYI: UNDER SEC'Y CASEY EXPECTS TO ATTEND WORLD BANK/IMF MEETING IN NAIROBI STARTING SEPTEMBER 23 AND MEETING OF US-USSR COMMERCE COMMISSION IN MOSCOW SEPT.30-OCT.3 END FYI.

3. IT IS OUR VIEW THAT CASEY/HERMES MEETING BEFORE HERMES HAS NEGOTIATING INSTRUCTIONS WOULD NOT SERVE MUCH PURPOSE. HOWEVER, IT SEEMS DESIRABLE THAT NEGOTIATIONS GET UNDERWAY SOON AFTER POLICY DECISION TAKEN BY FRG CABINET.

4. EARLY DISCUSSIONS BY TECHNICAL GROUPS WILL FACILITATE THIS. WE WOULD LIKE FRG TO PROCEED WITH NAMING OF REPRESENTATIVES SO THAT TALKS CAN GET UNDERWAY FORTHWITH.

5. EMBASSY IS REQUESTED TO POST US ON CABINET MEETING AND TO ADVISE DEPARTMENT REGARDING FEASIBILITY OF CASEY/HERMES MEETING SOON THEREAFTER. ROGERS

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